

Message Text

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ACTION COME-00

INFO OCT-01 EA-09 ISO-00 EB-07 STR-04 ITC-01 L-03 CIAE-00

INR-07 NSAE-00 SP-02 /034 W
----- 034201

R 270900Z FEB 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 7252

UNCLAS TOKYO 2952

E.O. 11652: N/A

TAGS: ETRD, JA

SUBJECT: NON-TARIFF BARRIER: NTT PROCUREMENT

REF: STATE 034919

1. EMBASSY DELIVERED AIDE MEMOIRE TO MINISTRY OF FOREIGN AFFAIRS (MFA) OUTLINING COMPLAINT OF NTT PROCUREMENT RESTRICTIONS. MFA REP REQUESTED EMBASSY SUPPLY FULL DETAILS OF TELESCIENCE CASE FOR USE IN DISCUSSIONS WITH MPT.

2. TEXT OF AIDE MEMOIRE FOLLOWS.

BEGIN TEXT: THE GOVERNMENT OF THE UNITED STATES WELCOMED ANNOUNCEMENT OF THE MINISTER OF FINANCE OF SEPTEMBER 11, 1972 CONCERNING THE "ABROGATION OF REGULATIONS CONCERNING ENCOURAGEMENT OF USE OF DOMESTIC PRODUCTS" RELATING TO PURCHASES BY OFFICIAL AGENCIES OF THE GOVERNMENT OF JAPAN. THE UNITED STATES BELIEVED SUCH ACTION WOULD ALLOW PARTICIPATION OF U.S. COMPANIES IN COMPETING FOR JAPANESE GOVERNMENT PROCUREMENT CONTRACTS AND AT THE SAME TIME WOULD PROVIDE JAPANESE GOVERNMENT ENTITIES THE OPPORTUNITY TO BUY FROM THE MOST ECONOMIC SOURCE, DOMESTIC OR FOREIGN.

THE ACTUAL IMPLEMENTATION OF THE VANGES IN JAPANESE GOVERNMENT PROCUREMENT REGULATIONS HAS BEEN DISAPPOINTING TO TY UNITED STATES. THE GOVERNMENT OF THE UNITED STATES HAS NOTED THE SCARCITY OF PROCUREMENT
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CONTRACTS AWARDED BY NIPPON TELEPHONE AND TELEGRAPH

PUBLIC CORPORATION (NTT) TO NON-JAPANESE SUPPLIERS IN SPITE OF THE EXPRESSED INTEREST OF U.S. FIRMS IN SELLING THEIR PRODUCTS TO THIS PUBLIC ENTITY. OF THE \$1.9 BILLION WORTH OF GOODS AND SERVICES PURCHASED BY NTT IN CALENDAR 1974, A MERE 0.3 PERCENT WAS SUPPLIED BY NON-JAPANESE MANUFACTURERS. SUCH PERFORMANCE STANDS IN SHARP CONTRAST TO THE SUCCESS OF JAPANESE COMPANIES IN SELLING TO THE U.S. TELEPHONE AND TELEGRAPH EQUIPMENT MARKET. IN 1974 U.S. IMPORTS OF TELEPHONE AND TELEGRAPH EQUIPMENT FROM JAPAN TOTALLED OVER \$100 MILLION, WHILE FOR THE SAME PERIOD U.S. EXPORTS OF THIS EQUIPMENT TO JAPAN WERE ONLY SLIGHTLY OVER \$10 MILLION.

U.S. MANUFACTURERS HAVE ADVISED US ON NUMEROUS OCCASIONS OF THEIR EXCLUSION FROM CONSIDERATION FOR SUPPLY CONTRACTS BY NTT. THEY ARGUE THAT THEIR SINGULAR LACK OF SUCCESS IN THEIR SELLING EFFORTS HAS NOT BEEN FOR COMMERCIAL REASONS, BUT SOLELY BECAUSE THE EQUIPMENT OFFERED WAS OF FOREIGN MANUFACTURE. ONE SPECIFIC COMPLAINT BROUGHT TO OUR ATTENTION IS SET FORTH AS FOLLOWS.

NTT EXPRESSED SERIOUS INTEREST IN THE PURCHASE OF TELEPHONE SUPPORT EQUIPMENT OFFERED BY TELESCIENCES, INC. OF MOORESTOWN, NEW JERSEY PROVIDED, HOWEVER, THAT TELESCIENCES WOULD ACCEPT THE LICENSING OF ITS EQUIPMENT FOR MANUFACTURE IN JAPAN OR WOULD MANUFACTURE THE EQUIPMENT IN THE UNITED STATES USING 100 PERCENT JAPANESE ORIGIN COMPONENTS. TELESCIENCES CONSIDERS SUCH CONSTRAINTS TO BE COMPLETELY INEQUITABLE AND UNNECESSARY, AND HAS DECLINED TO COMPLY WITH THEM, THUS LOSING THE OPPORTUNITY TO SUPPLY NTT ON A REASONABLE COMMERCIAL BASIS WITH EQUIPMENT WHICH NTT HAD PREVIOUSLY INDICATED A DESIRE TO PURCHASE.

THE EQUITY INTEREST WHICH THE GOVERNMENT OF JAPAN HAS IN NTT AND THE REGULATORY POSITION OF THE GOVERNMENT OVER THIS PUBLIC CORPORATION LEAD THE GOVERNMENT OF THE UNITED STATES TO CONCLUDE THAT THE PROCUREMENT POLICY OF NTT IS HEAVILY INFLUENCED BY THE GOVERNMENT OF JAPAN.

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ACCORDINGLY, ZHEMBASSY REQUESTS THAT THE MINISTRY OF FOREIGN AFFAIRS REVIEW THE RESTRICTIVE PROCUREMENT PRACTICES OF NTT, WHICH VIRTUALLY PRECLUDE FOREIGN COMPANY PARTICIPATION, TO DETERMINE WHETHER SUCH PRACTICES ARE CONSISTENT WITH JAPAN'S ADVOCACY OF A MORE OPEN INTERNATIONAL TRADING SYSTEM. THE EMBASSY ALSO REQUESTS THAT THE MINISTRY INVESTIGATE THE CIRCUMSTANCES SURROUNDING THE REJECTION OF THE OFFER OF TELESCIENCES INC.

AS HEREIN DESCRIBED TO DETERMINE IF THE OFFER RECEIVED
THE APPROPRIATE COMMERCIAL CONSIDERATION. END TEXT.

3. EMBASSY REQUESTS DEPT. FORWARD FULL DETAILS OF
TELESCIENCE'S PRODUCT LINE AND NTT OFFER ASAP
FOR USE IN DOCUMENTING COMPLAINT.
HODGSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NONTARIFF BARRIERS, PROCUREMENT, TELEPHONE EQUIPMENT, TELEGRAPH EQUIPMENT, CONTRACTS, AIDE MEMOIRE
Control Number: n/a
Copy: SINGLE
Draft Date: 27 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TOKYO02952
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760074-1024
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976023/aaaaabwn.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION COME
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 STATE 34919
Review Action: RELEASED, APPROVED
Review Authority: castelsl
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUL 2004 by schwenja>; APPROVED <07 SEP 2004 by castelsl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NON-TARIFF BARRIER: NTT PROCUREMENT
TAGS: ETRD, JA, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006